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Personality In Service

*Address delivered at the Annual Banquet of the Pace Club of Washington, April 18, 1925,
by Daniel C. Roper, Commissioner of Internal Revenue during the Great War.*

MEN and women are sometimes found in places for which apologies or explanations are necessary. I am sure, however, I voice the unanimous mind of this audience when I say we are all glad to be here and feel no need of apologizing for connection with the splendid work and history of Pace Institute.

I shall not embarrass you by undertaking to ascertain those who have not enjoyed the privileges of this school. To do so would no doubt reveal a condition among us not unlike an experience some years ago at a summer resort when a prominent woman from Virginia was entertaining her neighbors at the resort. Her young daughter had heard the callers refer with pride to the fact that they were from Virginia. Finally, a lady came who did not refer to her place of birth. The child, whispering to her parent, said, "Mother, may I ask her if she is from Virginia?" To this the mother replied, "No, my child, for if she is from Virginia, she expects everybody to know it; and if she is not from Virginia, think how bad she must feel."

I wonder whether we all appreciate the fact that is responsible for the differing qualities of schools; I refer to that thing for the lack of which an institution with good curriculum and good students remains commonplace; while another institution with no better facilities, but possessing the real asset, is more conspicuous in furnishing leaders in the community and service to humanity. The secret is generally found in one or more human beings who have a vision of the proper philosophy of life—an appealing personality with a constructive plan, a real interest in the success and happiness of people. Such a distinctive school is Pace Institute, made so by the character of its founders and the wise selection of their continuing associates. Through the operations of courses in accountancy and business administration, such instructors connect with and inspire elements of character, recognizing that men and women wisely prepared for life are the country's greatest asset.

Education has been variously defined; but it seems to me that, to reflecting people, no better definition can be given than that it is the training

which enables one to get and to give more life and more happiness. "More life" involves the enlargement of vision, the appreciation and assumption of proper responsibilities for one's character and influence and happiness in the sphere in which he is to labor and to live. It impresses one with the opportunity and responsibility which he has of making his community and his profession better by having been associated with it. For this purpose, there must be a combination of the mental, the moral, and the physical forces. The mind must be trained to think accurately, one's approach to life's problems made more sympathetic, and character fundamentally established. In the words of Woodrow Wilson, "the educated man is to be discovered by his point of view, by the temper of his mind, by his attitude toward life and his fair way of thinking . . . he can combine ideas and see whither they lead. He is more apt to contribute light than heat to a discussion."

Dr. Hopkins, President of Dartmouth College, recently stated that the alarming things about this generation are loss in the desire of people generally to think and their indisposition to work. The machine system has overtaken our minds. The desire is to follow a type and be just like other folks. This does not tend to produce leaders and is a cause for the scarcity of leaders. Our schools, like our factories, are producing according to a type, turning out product on a commercial basis because it is less trouble and because our appreciation of the value of the individual under mass production tends to decrease with increase in numbers.

It is individuality that has made us what we are. Decadence in leadership will certainly follow the disregard of the importance of the individual spirit and initiative in American life.

There is a constant appeal for education endowments, and it is gratifying that there is an increasing flow of money into these channels; but we forget that we cannot buy substitutes for individuality. Men and women must invest themselves along with their money if society is to be kept secure and civilization safeguarded. It is not so much the money that counts in our investments as

it is that our unselfish personalities go with the effort. We need great leaders in thought and in morals in our schools if we would have great leaders in the community outside the schools. Whatever is necessary to attract and to hold such persons as educators, should be forthcoming from the public.

The object of the professional school is to train the powers of its students for a special task. We probably could get along with fewer lawyers, and we might be able to live as long with fewer physicians; but we need many more accountants and business managers. We need more men and women able and willing to assist people to cope with their business problems.

The life insurance companies tell us that only five out of every one hundred persons succeed in business. Certainly this small proportion of successful persons would be greatly increased if the principles of accountancy and business administration were more generally employed in investigating proposed new businesses and in conducting general business operations, both small and large. It is easy to believe that more men would be honest if they were saved from the meshes into which imperfect knowledge of their business operations entangle them. More of us would fall in love with our work and thereby get more product and more happiness from our tasks. More of us would learn that happiness flows from the feeling that we have done the job right. We would discover the real meaning of the Scriptures when they assert that "it is more blessed to give than to receive."

Relatively few people are able to take care of themselves; and in every line of human endeavor, people are seeking help of those who can lose themselves in service to others. Happiness is a by-product which is secured in the inverse ratio to the time we give primarily to seeking it. It comes like bread cast upon the water. "We live in deeds, not years; in thoughts, not breaths; in feelings, not in figures on a dial. We should count time by heart-throbs. He most lives who thinks most, feels the noblest, acts the best."

No one can realize satisfaction in his work if constantly tantalized by the fact that he is not getting a *quid pro quo* for his labor. He will create a more wholesome atmosphere for himself by training his thought with a view to giving more than he gets. Few employers begrudge a high wage if it is accompanied by a commensurate product and an interested and willing service. In our dealings in life, we must not be one-sided; it is a fifty-fifty program; there can be no compromise with honesty. This cooperative relationship among individuals is none the less important between the Government and its citizens. Our Government has become such a large partner in business that the transactions between the Government and its citizens should be made as near as possible a model.

It is a source of gratification that the men who have been primarily charged with the exacting problem incident to the administration of our recent heavy internal revenue tax laws have had

this constructive attitude. We must not forget that a perfect tax law is probably unattainable, but that much of the hardship growing out of an imperfect law can be alleviated by a proper attitude in administration. The responsibility for the enforcement of law under a form of government like ours must be distributed among all good citizens, realizing that the officers in charge are simply the representatives of the people functioning cooperatively with them.

Let us not forget that as much as we need more knowledge of how we should act, we are in greater need of conforming better to the knowledge that we have. The country is suffering far more from the failure of the people to do as well as they know how than from their failure to acquire more knowledge. I am far less disturbed over our "intellectual illiteracy" than I am over our "moral illiteracy." We need a more sensitive regard for law enforcement and a keener regard for our responsibilities as citizens.

In a country where the Government rests on the consent of the people, it is most important that the confidence of the people in the good intentions of the Government toward them shall be safeguarded. It has required one hundred and fifty years to build the good-will that surrounds our Federal Flag. This great asset must be protected. At the root of the situation is honesty and integrity in public officials, faith in the sympathetic efforts of the Government to enact equitable laws and to administer such laws without favor to any individual group or section of the country. The citizens must be made to respect the law; and, in turn, the Government must manifest confidence in its citizens. The Government must be administered economically but not niggardly. Having ascertained with care and approximate accuracy the amount necessary to maintain the Government, the taxes to meet this budget should be levied and collected in accordance with the ability of the citizens to pay.

The tax burdens under state and municipal governments are becoming even more grievous than those under the Federal Government. The country is suffering from wild local extravagances in spending the people's resources. Accountants can serve a valuable purpose here in analyzing and vividly presenting conditions in all tax fields.

Unquestionably, there should be a better understanding between the Federal and the state governments as to the objects to be taxed. By such an understanding, confusion would be reduced and double taxation, wherever possible, avoided.

The local governments are now collecting a gas tax for road purposes. Why would it not be well for the Federal Government to withdraw from the field of automobile taxes, as well as from the field of other so-called miscellaneous taxes, and leave these to the state?

I doubt whether the Federal Government is prepared to withdraw from the inheritance tax field or that it will be disposed to reduce such rates. On the contrary, it seems to me that the tendency is

more likely to be toward discouraging the building of vast estates, especially if by so doing the income tax rates can be reduced and active business thereby encouraged.

When the corporate and individual income tax rates are equalized, surtaxes can and should be reduced. The important objective should be to ascertain what the actual needs of the Government economically administered are, and then see whether it is not possible to reduce the present normal and surtax rates. Furthermore, as in customs duties, there is a point beyond which a rate reduces rather than increases tax income. While we may not have experimented enough yet to know what income tax rates are most productive, most persons will contend that the point is lower than existing rates.

More important than this is the adjustment of the tax on corporations to a proper relation to the reduction already secured for individuals.

The income tax on corporations has several purposes:

1. To provide for the collection of the normal tax at the source.
2. To tax to some extent the earnings of corporations which are not distributed to the individual stockholders, but which are held for the corporations' needs.
3. To prevent entire escape from taxation of any earnings of the corporation which are retained by it for the purpose of preventing the imposition of surtaxes upon its stockholders.

The third of these cannot very well be considered, however, in connection with the determination of the normal income tax to be applied to corporations, because there is a special provision of the statute, Section 220, which is in the nature of a penalty for such evasion and amounts to fifty per cent of the net income of a corporation whose earnings are withheld from the stockholders for such purpose of evasion.

Considering the first two reasons for a corporate tax, it seems that under them the normal income tax on corporations should bear some relation to the normal income tax on individuals. Granted that it should be higher than the normal tax on individuals, in order that effect may be given to the second of the above purposes, still there should be some relation between the two; and, as the normal tax on the individuals is reduced, the normal tax on corporations should be reduced.

This is especially noteworthy when we consider that the stock of most large corporations is now widely distributed. It is probable that a very large percentage of the stockholders of the Pennsylvania Railroad Company are either free of personal income tax or fall within the two per cent bracket of the law. These individuals are, however, paying indirectly a twelve and one-half per cent tax on their entire net income from this source. When we consider that a married man, with no children, having an income of \$50,000 pays, under the present law, a tax of only 12.19 per cent of his income; we can see the injustice to the holder of one

thousand shares of Pennsylvania Railroad Company stock who has an income of \$3,000 per year on these shares, and who has no other income, in the requirement that he pay indirectly to the Government a tax of twelve and one-half per cent on his income. It would seem that the present twelve and one-half per cent tax on corporations might now be reduced at least to ten per cent.

Much is demanded of the persons charged with the problem of revising the Federal income tax laws to simplify and relieve administrative troubles. Many complications grow out of high rates, which would be relieved by the reduction of the rates and the repeal of miscellaneous taxes. Again, relief would be secured if we could avoid assessing the income tax against the net income of a single year.

In other words, taking an arbitrary twelve-month period as a basis for determining taxable income is, in many cases, quite unjust. Probably no feature of the law has brought so many bitter complaints from taxpayers as the taxing in one year of fruits of many years of labor. We should adopt a plan that would endeavor to tax normal income or normal earning power instead of applying arbitrary rates to the amount of income actually realized within a twelve-month period. This would have the further advantage of enabling the taxpayer to determine his tax liability for any year at the beginning of the year instead of having to wait until his books are closed at the end of the year. This would enable him to make in advance provision for meeting his obligations. It is easily conceivable that this practice contributes to honesty on the part of the taxpayer; whereas the one-year system of our country prompts the taxpayer to take every possible safeguard, and, in doing so, he is often tempted to withhold from the Government items which, under the law, are taxable income. The experience in this country is demonstrating the wisdom of Great Britain in eliminating from calculation of taxable income, capital gains and capital losses.

Coöperation is needed as between Government administrative officials, legislators, taxpayers, and accountants if we would secure the objectives which our people seek and need in the revision of tax laws and in their safe and sane administration. Probably no greater service can be rendered by any one of these groups of people than by the accountant who keeps the taxpayer thoroughly informed of the status of his business and thereby contributes to his success, his honesty toward his fellows and toward his Government.

What a wonderful advantage men and women have who have caught the vision of life's opportunities for coöperative constructive work! As in the radio world, good and bad suggestions are constantly passing through the air. It is the privilege of everyone to tune in and get what he most desires; but if he yearns to get and to give more life and more happiness, he will seek to tune in to those great forces which inspire men and women to give their best unselfishly to the constructive program of life.

Property Records

A graduation thesis prepared by Raymond W. Murphy, of Washington Pace Institute.

Mr. Murphy has set forth in this article, in a clear and informative manner, the purposes and advantages of systematic property records. Income taxation and related questions of depreciation make this subject one of prime interest to accountants and business men.—The Editor.

ALARGE corporation, which may operate as many as a dozen plants, each of which may represent an investment of millions of dollars, is constantly in need of information, often in minute detail, with respect to its land, buildings, equipment, machinery, and the like. Such information is made available only through the use of a highly developed set of property records. The system about to be explained is in use by such a corporation, manufacturing one principal product and several by-products under a continuous-process operating plan. Each plant as a unit consists of a great many buildings, each of which contains machinery or equipment; and the records were designed to render available at any time detailed information with respect to each and every building, and with respect to the machinery and equipment housed in each building, as well as the floor on which such machinery and equipment is located.

Purpose of Maintaining Such Records

The reasons and advantages of records of this kind are many in large organizations; and in order that we may have a better understanding of them, let us consider them under four principal classifications:

1. *The insurance feature.*—Buildings are burned; sprinkler heads are melted, causing damage from water; damage may be done by storms; or any one of a dozen things might happen to cause loss. These records furnish reliable information upon which the determination may be made of amounts of insurance that should be carried. The records would eliminate the possibility of carrying either too much or too little insurance. Should a building be destroyed by fire, the amount of money that might be collected from the insurance company is largely dependent upon the appraisers and claim adjusters of the insurance company. The duty of the insurance adjuster is to see that the claim is as small as possible; so suffice it to say that it is of distinct advantage to be able to show him the exact amount of the loss and to be able to produce a detail of each item to substantiate the claim. Plants of this type usually have blanket insurance policies, which cover the entire plant; and, in this case, a previously determined value of each building, as well as its contents, is necessary.

2. *Income tax returns.*—These returns must be made accurately, especially so when losses are

taken due to the scrapping or other disposition of equipment. By means of adequate property records, a record is made available which cannot be questioned, and which facilitates the preparation of accurate income tax returns.

3. *Depreciation rates.*—The performance or useful life of a thing is the vital element in determining rates at which depreciation should be charged off. Dates of acquisition, replacement, and the like are available, and full and complete facts, which may be used as a basis for determining depreciation rates to be used from time to time, are obtained with little difficulty.

4. *Capital investment.*—For any one of a number of reasons, the exact amount of the capital investment in an organization may be desired; and, when it is, it should be available. The degree of accuracy with which this information is made available under the system described is remarkably high, as it should be in all cases. Unfortunately, in a great many organizations the accuracy may be questioned, due to the vast scope of the account classifications and the lack of detailed data.

The Property Ledger

With these four major points in mind, let us consider the records themselves. The first record is the property ledger, which is a loose-leaf ledger, an illustration of which is given in Form 1. Summary postings are made to this record monthly from the various books of original entry; and, when the books are closed at the end of each monthly period, the depreciation reserve columns are posted from the depreciation entries in the general journal. It will be observed that there is another advantage in having the depreciation reserves and the property accounts to which they pertain on the same page. This affords ready reference for purposes of comparison or other uses. The totals of the three property account columns when added together give the total investment in real property.

[illegible]

Form 1

and in machinery and equipment. Land very rarely depreciates in value, unless it is mining or timber land; so no depreciation reserve column is shown for land. In preparing the balance sheet, the information with respect to both the asset accounts and the reserve for depreciation accounts is obtained from this record. If more classifications than are shown in the illustration are desirable, the record can easily be developed by adding as many more columns as may be necessary.

The Buildings Record

The property ledger acts as a control for a second record, the buildings record, in which is collected information with respect to buildings only. The total of the buildings column of the property ledger is made up of the detail shown on the buildings record, and the two should agree at all times; i.e., the total of the buildings column of the property ledger should agree with the total of the total column of the buildings record, the latter being a summarization of the building distribution. An example of the buildings record is illustrated in Form 2. The extent of the distribution and the classifications of the distribution is by no means limited, but it is necessary that each plant use the same general procedure. This is made possible through the use of a standard classification of property accounts, which is supplemented by such additional instructions as are deemed necessary by the home office to give the plant accountant a more complete and comprehensive understanding of the procedure. All postings of amounts that fall within the classification of building costs are made to this record in the total column, and are distributed, according to the nature of the items comprising the total amount, to the various columns shown. Again the controlling account feature is present, because the totals of the distribution columns should agree with the total of the total column. The accuracy

of the distribution, which shows the cost of the various elements which comprise the total cost of the buildings, can, therefore, be easily proved.

The Machinery-Equipment Record

The third record for consideration is very similar to the buildings record just described, inasmuch as it contains the detailed information that makes up the total of the machinery-equipment column in the property record itself. Form 3 gives an illustration of the ruling of the machinery-equipment record. As in the case of the buildings record, the machinery-equipment record is controlled by the property ledger and merely serves the purpose of supplying necessary information in more detail than is available in the property ledger itself. Facts and figures collected and entered in these records form the bases of entries in the ledger to form the control. Attention is called to the fourth column of the record which is designated Floor. It will be recalled that mention has been made of the fact that information with respect to machinery and equipment and the like on each floor of each building is ascertainable. It is by reason of the floor designation on this record that this information is made available. The eighth column, which is Machine Number, enables one to make ready reference to individual machines for data on machine performance—data which is made from the next record to be considered. The machine-number column also serves the purpose of linking up the cards for the individual machines with the ledger, providing a complete correlation with the accounting records. In order to make the record as elastic as possible and to permit the use of the same rulings for the sheets used for many different buildings, no attempt is made to insert the headings for distribution columns when the forms are printed. To do this would be impracticable as one building might contain entirely different classes of equipment

[illegible]

Form 2

from another. For instance, one might contain motors, pumps, compressors, blowers, and the like; while another might contain cutting and wrapping machines, presses, tanks, tubs, and the like; and, with classifications running well into the hundreds over the entire plant, it is obviously necessary and wise to leave the spaces blank and fill them in with ink. The number of classifications for a single building are not so numerous that they cannot be well taken care of on a single sheet, although it is sometimes necessary to insert a short sheet to provide sufficient columns. The total column of the machinery-equipment record controls a fourth record, which is one giving a complete history of each piece of machinery and equipment.

Individual Equipment Card Record

Form 4 illustrates a detailed property record. The record is in the form of cards, usually six by ten and one-half inches, a separate card being made out for each and every item of equipment. In the left-hand margin is shown the number of the plant, while the card proper begins with a description of the article and the purpose for which it is used. The card is divided into three sections, the first showing information relating to the cost of the article, the second showing depreciation data, and the third, a record of disposition. A column for freight and installation costs, which are kept separate from the other costs, is also provided. This is done because transfers are made between different plants of the organization, and the original freight and installation costs are not considered a proper charge against the receiving plant, but are absorbed as a loss by the shipping plant. When transfers are thus made, full details of cost and depreciation are given to the receiving plant, in order that the balance of the cost might properly be written off by that plant. This eliminates the possibility of over-charging or undercharging the amount of depreciation, provided no errors are made in transmitting information to the receiving plant. The date, annual percentage rate of depreciation, accrued amount of depreciation, and the depreci-

ated value of the article is shown under the second subdivision, which serves as a source of information with respect to the depreciation of a particular piece of machinery or equipment. At the time of disposition, the depreciated value shown, together with sale price, is transferred to the third subdivision and the result of the disposition, whether it be profit or loss, is calculated and forms the basis of a journal entry. A space is also provided for general remarks, such as the reason for the disposition, condition of the equipment at time of disposition, and the like. At the bottom of the card are spaces for showing the building, classification symbol, machine number, and floor location of the article. When these cards are properly placed in their visible record binders, the bottom portion of each card is the only part that is visible. Sixteen ring perforations are on the edge of each card; and the cards are placed in a binder in such a manner that the bottom of each card is visible for ready reference.

Monthly Analysis

At the end of each month, when the books have been closed, an analysis is made showing all changes made in the plant accounts by virtue of additions or deductions. This analysis is made for two purposes: First, a copy is forwarded to the home office. This explains in detail the change as shown on the monthly branch balance sheet and also shows any charges due to disposition that might have been closed out through profit and loss. Second, it forms the basis from which the individual cards are made up. A special form has been made up for this analysis, as illustrated in Form 5. This record is usually twelve by sixteen inches; and, when the individual cards have been made up, they are placed in another ring binder as a permanent record.

Transfer between Plants

The matter of transfers between different plants, as well as within a single plant, is recorded through the use of a transfer slip similar to the one illustrated by Form 6, which is made out in triplicate, each copy being of a distinctive color. When

Sheet No.

MACHINERY, EQUIPMENT, ETC.

Plant.....

Classification.....

Symbol.....

[illegible]

NOTE: The reverse side of this form is made up of a full page of distribution columns which provides sufficient space under ordinary circumstances for this feature. However, when the number of columns provided is not enough, a short sheet is inserted.

Form 3

a piece of equipment is sold, discarded, or transferred, the person authorized to make the change notifies the office. Upon such notification, a transfer slip is made out. The triplicate copy is signed by the person authorized to transfer or discard the equipment, and the same copy must be signed by the plant manager. When transfers are made within the plant, the same procedure is followed. The original copy is retained by the valuation record clerk, who keeps the property records, cards, etc.; the duplicate is turned over to the plant accountant; and the triplicate is sent to the valuation department at the home office. When a piece of machinery or equipment is transferred from one plant to another, the same procedure is followed as in the case of a transfer within the plant, except that the triplicate copy is sent to the receiving plant, together with the card for the piece of equipment transferred. Of course, the shipping plant cannot fill in all the information required, such as floor, building, or new equipment number, but this is inserted by the receiving plant before the copy for the home office is mailed. In selling or discarding equipment, the same procedure is followed as is used for transfers within the plant.

Classification of Property Accounts

The standard classification of property accounts is used in assigning symbols, etc., and makes the operation of the system complete. In the case of the organization under consideration, the classification arrangement for machinery, equipment, and the like follows the orderly, progressive manufacturing process, beginning with the weighing in of the raw materials as they are received at the plant, and following the process straight through to the finishing of the last by-product and the assigning of the classification symbols as it progresses. Such an orderly arrangement, with standardized mnemonic symbols, makes it much easier for one who has to use the system continuously to establish the procedures definitely and accurately in mind. In the first instance, there are three major classifications, which are designated as follows:

- A—Land
- B—Buildings
- C—Machinery, Equipment, etc.

Only three classifications have been given as illustrations, but the system as outlined is capable of being amplified to the extent of any desired number of classifications. However, even in such a large organization as the one under consideration, only four of these major classifications are in use. On the other hand, a different type of organization, although not as large, might require a greater number of classifications. Each of these major classifications has three sub-classifications. In order that a better idea might be obtained of the standard classification, an illustration, using building structures under major classification "B" as an example, will be given in detail. This classification or one similar to it would be necessary in the

operation of the system for almost any organization. The classification follows:

Standard Classification of Property Accounts

Buildings Section

- B 01—Fireproof
 - 1 Excavation and Foundations
 - 2 Superstructure
 - 3 Plumbing and Sewerage
 - 4 Heating System
 - 5 Electrical Work
 - .3 Electric Lighting System
 - .4 Telephones, Telegraphs, Watchman's System, Fire Alarms, etc.
 - 6 Building Elevators
 - 7 Stacks—Brick and Concrete
 - .1 Excavation and Foundations
 - .2 Superstructure
 - 8 Bins
 - .5 Steel
 - .6 Wood
- B 02—Semi-Fireproof
 - 1 Excavation and Foundations
 - 2 Superstructure
 - 3 Plumbing and Sewerage
 - 4 Heating System
 - 5 Electrical Work
 - .3 Electric Lighting System
 - .4 Telephones, Telegraphs, Watchman's System, Fire Alarms, Etc.
 - 6 Building Elevators
 - 7 Stacks—Brick and Concrete
 - .1 Excavation and Foundations
 - .2 Superstructure
 - 8 Bins
 - .5 Steel
 - .6 Wood
- B 03—Metal
 - 1 Excavation and Foundations
 - 2 Superstructure
 - 3 Plumbing and Sewerage
 - 4 Heating System
 - 5 Electrical Work
 - .3 Electrical Lighting System
 - .4 Telephones, Telegraphs, Watchman's System, Fire Alarms, Etc.
 - 6 Building Elevators
 - 7 Stacks—Brick and Concrete
 - .1 Excavation and Foundations
 - .2 Superstructure
 - 8 Bins
 - .5 Steel
 - .6 Wood
- B 04—Wood
 - 1 Excavation and Foundations
 - 2 Superstructure
 - 3 Plumbing and Sewerage
 - 4 Heating System
 - 5 Electrical Work
 - .3 Electric Lighting System
 - .4 Telephones, Telegraphs, Watchman's System, Fire Alarms, Etc.
 - 6 Building Elevators
 - 7 Stacks—Bricks and Concrete
 - .1 Excavation and Foundations
 - .2 Superstructure
 - 8 Bins
 - .5 Steel
 - .6 Wood

Machinery, Equipment Section

- C 30—Air Compressors and Blowers
 - 1 Air Compressors and Blowers (Complete)
 - .1 Foundations and Supports
 - C 31—1 Pump (Complete)
 - .1 Foundations and Supports
- (Continued on page 110)

In Memoriam

John Martin Schaeberle, '76e

Many of the friends of Fred Martin Shaeberle, alumnus of the U. of M. '07, member of the firm of Pace & Pace, will be interested in the account of the life and work of his uncle, John Martin Schaeberle, also an alumnus of the U. of M. '76, which is given below. Seldom do we find an example of a life so completely given to scientific study and accomplishment as that of this well-known astronomer. The article is taken from *The Michigan Alumnus*.—THE EDITOR.

PROFESSOR John Martin Schaeberle, the last member of the original staff of the Lick Observatory, died suddenly at his home in Ann Arbor, on September 17, 1924, while engaged in some light work on his lawn. Until then he had been in his usual state of good health, taking an active interest in scientific studies, in music, in civic matters, and in athletic exercises. For years it had been his custom, in summer, to take long walks about the city and into the country; in winter, to go skating frequently; and he regularly participated in volley ball and other games at the Y. M. C. A. gymnasium, a weekly practice which he seldom neglected.

Professor Schaeberle was born at Wurtemberg, Germany, on January 10, 1853. His parents came to the United States the following year and settled at Ann Arbor, where most of his life was spent. For three years, from 1868 to 1871, he was an apprentice in a machine shop in Chicago, and while there by chance became interested in astronomy. His reading soon convinced him that sound mathematical training was essential to a thorough understanding of this subject, and to obtain such training he returned to Ann Arbor for study, and in due course graduated from the Ann Arbor High School and from the University of Michigan. It was during his student days that he began to turn his mechanical skill to advantage by making mirrors for reflecting telescopes, a subject which interested him throughout his life. He completed several mirrors having diameters from eight to twenty-four inches. With him the making of mirrors was a means to an end; namely, to enable him to make astronomical observations. It was with one of his eight-inch reflectors that he discovered the Second Comet of 1880. He also discovered the Fourth Comet of 1881, but the announcement of this discovery does not state with what instrument it was made. It was with one of his larger reflectors, mounted as a Cassegrain equatorial of long equivalent focal length, that he made at the Lick Observatory, about thirty years ago, excellent photographs for that time of the planets Jupiter and Saturn. His largest mirror had a diameter of twenty-four inches and a focal length of only three feet. This he mounted equatorially at his home in Ann Arbor and used it for photo-

graphing faint extended nebulae and for studies of the sun. (Its large aperture and short focal length gave great light and heat concentration. Nebulae were photographed with it in a few minutes, but the images were, of course, on a small scale. The heat of the sun concentrated at the focus was so intense that with it holes could be melted through moderately thick strap iron in less than five seconds. Unfortunately this mirror was broken several years ago, while he was drilling a hole through it so that it might be used as a Cassegrain reflector. This accident brought to an end the investigations which he was making with it.)

Professor Schaeberle graduated from the University of Michigan in 1876 and at once became an Assistant in the Observatory, then under the direction of Professor Watson. Later he became Instructor in Astronomy and Acting Assistant Professor. In 1888, when the staff of the Lick Observatory was organized, he went to Mount Hamilton, California, as an Astronomer and remained there ten years. For the first five years he had charge of the Repsold meridian circle. He had not been there long, however, before circumstances diverted his interest to other work. A few months after his arrival at Mount Hamilton, the total solar eclipse of January 1, 1889, occurred, the zone of totality of which crossed northern California. At this time began the many notable eclipse expeditions of the Lick Observatory. This eclipse was successfully observed by Professors Keeler and Barnard, of the Lick Observatory staff, and by many astronomers from other institutions, at stations along the line of totality. It was also observed as a partial eclipse at the Lick Observatory by Professors Holden, Burnham, and Schaeberle. The next total solar eclipse occurred in December, 1889, and Professors Burnham and Schaeberle were sent from the Lick Observatory to Cayenne, South America, to observe it. Notwithstanding unfavorable conditions, they were entirely successful. It was this eclipse, perhaps, more than any other, that directed Professor Schaeberle's attention to eclipse problems and led him to formulate a mechanical theory of the solar corona. For the study of the corona he felt the need of large scale photographs, and to obtain them he devised a long focus camera which proved so satisfactory that it has been used in essentially the same manner by every subsequent Lick Observatory eclipse expedition. His plan was to mount the objective on a tower, with its optical axis directed toward that point of the sky which would be occupied by the sun at the instant of mid-totality. A tube led from the objective to a dark room, where, in the focal plane of the objective, a plate holder carriage was mounted, movable by clock work, to compensate for the diurnal motion of the sun during the times of exposure. In this simple manner Professor Schaeberle made it pos-

sible easily to mount at a distant eclipse station a photographic telescope of forty feet focal length and obtain with it photographs of the corona on a scale hitherto unattempted. He first used this method in Chile, in April, 1893, and secured at that time some of the best large scale photographs of the corona that have ever been made. It was on these photographs that he detected a comet close to the sun, not otherwise observed. Professor Schaeberle was sent by the Lick Observatory to Japan to observe the eclipse of 1896, but clouds covered the sky at the time of totality and prevented observations.

When Professor Holden retired from the directorship of the Lick Observatory in 1897, Professor Schaeberle became Acting Director, a position which he held until the following June, when Professor Keeler arrived as Professor Holden's successor. Professor Schaeberle then retired from the Lick Observatory, and after making a trip around the world, he returned to Ann Arbor where he lived the remainder of his life. At the time of leaving the Lick Observatory, in recognition of his important services to that institution, his many contributions to science, his eminence as an astronomer, and the esteem in which he was universally held, the University of California conferred upon him the honorary degree of Doctor of Laws.

Edward L. Suffern

Our readers will be grieved to learn of the death of Edward L. Suffern, of the firm of Loomis, Suffern & Fernald, which occurred on the 13th of April. A leader in Accountancy, forward-looking and active despite his four-score years, Mr. Suffern was an inspiration to his wide circle of associates and friends.

A comprehensive review of Mr. Suffern's career and its relation to the up-building of Accountancy will be made in a later issue. At this time we shall attempt nothing more than to record the sorrow and sense of loss that pervades the Accountancy profession because of the death of Mr. Suffern.

Public Speaking Banquet

TALENT unknown, deep-seated springs of wit, new founts of knowledge—all these and more were discovered among members of the three public speaking groups and their friends who assembled on May 8 in the Banquet Room of the Machinery Club for their first public dinner and get-together.

No one except the toastmaster, Homer S. Pace, knew who the speakers were to be, and inasmuch as each person was relieved in his own mind from the burden of speech-making, quaking knees, mental paralysis, and cold sweats were conspicuous by their absence. In fact, there was little or no evidence of any one of these concomitants during the course of the entire evening.

Later on, however, the storm broke. Mr. Schaeberle passed among the tables and had every student and guest pick at random from a silver plate, a subject for a talk. In this manner, no one knew his "little piece," and there was no opportunity to dig up any material or to develop stage fright.

The topics assigned were varied and funny. Among them were: "Why I Love my Best Girl," "The Historical Significance of the Phrase 'I'll Bounce You on the Bean,'" "Courage," "The Value of Accountancy in Business," "Why is Public Speaking," and a host of others. One of the most original speeches made was the one on

"I'll Bounce You on the Bean"; in this the audience was given a fine historical sketch that carried the listeners back to the days of chivalry and brought them home again to a twentieth-century colloquialism. Another speaker whimsically disregarded his own subject and gave the audience a treat by giving his impression of the veteran Chauncey Depew, whom he had heard recently. The speeches were all remarkably good.

One of the permanent results of this get-together will be the formation of a public speaking club, which will meet from time to time for the purpose of perpetuating the aims and ideals of the public speaking classes. Dinners, smokers, and other group meetings will be held. Men prominent in public life, in the professions, and in business life, it is hoped, will be secured as speakers for these occasions.

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The Uniform Sales Act

This is the second of a series of articles on this vital subject by Mr. Alfred F. Upson, of the Law Faculty, Pace Institute, New York.

IN a previous article, the basic rules for determining when title passes to the thing that is the subject-matter of a contract of sale, were set down and discussed. The importance of this matter from the viewpoint of the accountant, who must often certify to statements setting forth the ownership of assets, cannot easily be overestimated.

Documents of Title

The title to goods sold is often passed by means of written instruments which vary in their nature, and which are known as "documents of title." The term "document of title" is taken from the English Factors' Act of 1889, and the term is therein defined as follows: "The expression 'document of title' shall include any bill of lading, dock warrant, warehouse keeper's certificate and warrant or order for the delivery of goods and any other document used in the ordinary course of business as proof of the possession or control of goods, or authorized or purporting to authorize, either by endorsement or delivery, or by delivery, the possessor of the document to transfer or receive goods thereby represented." The substance of this definition is included in our modern Sales Act. These documents are variously called in common usage by different names, according to whether they are issued by a carrier, by a warehouseman, or by a dock company. The nature of these documents, however, is substantially the same in all cases.

Bills of lading and warehouse receipts are the two documents of title that are in general use in the United States; and in connection with goods stored in warehouses, orders for the delivery of goods directed to the warehouseman are also in common use.

These various documents operate to transfer the property in goods, either on the theory that the document represents the goods themselves and hence constitutes, when delivered, the equivalent of the delivery of the goods; or on the theory that these documents stand in the same position as a bill of exchange or a promissory note, in which case the rights and liabilities of the holder of the same are fixed by applying the rules of law governing negotiable instruments to the terms of the documents themselves. Statutes, usages, and decisions view the document of title and its efficacy in passing the property in goods from the standpoint of negotiable instruments.

A bill of lading is commonly defined as both a receipt and a contract—that is, a receipt from a carrier, either by water or rail; and a contract on the part of the carrier to ship the goods received. The forms of these bills of lading are now governed by statute; and in inter-

state commerce, the Interstate Commerce Commission has prescribed the forms which must be used in interstate traffic. These forms are also largely used in traffic wholly within the state.

Standard Regulations

A bill of lading is often delivered to the purchaser under a contract of sale only upon payment of the purchase price by the buyer, and the buyer often resorts to his bank under a credit arrangement whereby the bank is to pay on behalf of the buyer. The various questions arising upon the problems when contracts are made for the sale or the price of goods against bills of lading, have been taken up and considered by the bankers of New York; and, in 1920, the New York bankers adopted a set of regulations, which the New York courts have held to be admissible as evidence to prove the existence of a custom or customs binding upon banks in their dealings with such bills. These regulations, as set forth in Ward's American Commercial Credits, are as follows:

"1. We assume no liability or responsibility for the form, sufficiency, correctness, genuineness or legal effect of any documents, or for the description, quantity, quality, condition, delivery or value of the merchandise represented thereby, or for the good faith or acts of the shipper or any other person whomsoever; but documents will be examined with care sufficient to ascertain whether on their face they appear to be regular in general form.

"2. We will interpret the terms 'documents,' 'shipping documents' and words of similar import, as comprehending only ocean bills of lading (sailor bills of lading included) and marine and war risk insurance, in negotiable form, with invoices.

"3. Unless specifically otherwise instructed, we will accept 'received for transportation' bills of lading in the form customarily issued in New York. (The steamship lines constituting the Transatlantic Conference state that the customary procedure necessitated by American port conditions, is to issue bills of lading against the receipt of goods into the custody of the steamship owners or agents, for transportation by a named steamer, and failing shipment by said steamer, with liberty to ship in and upon a prior or following steamer. They state that it is not possible here to issue 'on board' bills of lading, but have agreed, after the goods are loaded, so far as reasonably practicable, to endorse on the bills of lading, if returned for the purpose by the shippers, a dated clause to the effect that the within goods have been loaded on board, specifying any

portion that has been 'short shipped.' They represent, however, that such procedure will not be reasonably practicable in all trades, nor in any trade at all times, and where used, on account of the delay involved, may result in the merchandise arriving at destination in advance of the bills of lading.) When specifically requested by a correspondent, we will request the 'on board' endorsement, and obtain it, where practicable.

"4. When the 'on board' endorsement is not specifically requested by a correspondent, or it is impracticable to obtain it, the date of the bill of lading will be taken to be the date upon which shipment has been effected. When the 'on board' endorsement is obtained, the date of such endorsement will be taken to be the date upon which shipment has been effected.

"5. Instructions shall be interpreted according to our law and customs, but in any event, in accordance with the following general rules:

"A. Forwarder's bills of lading will not be accepted, unless specifically authorized. Railroad through bills of lading will not be accepted, except on exportations to the far East via Pacific ports, unless expressly stipulated.

"B. Bills of lading shall contain no words qualifying the acceptance of the merchandise in apparent good order and condition. If 'on board' bills of lading are stipulated, they shall acknowledge receipt of the goods on board a named vessel. Otherwise, 'received for transportation' bills of lading, which acknowledged the receipt of the goods into the custody of the steamship owners or agents for transportation by a named steamer, and failing shipment by said steamer with liberty to ship in and upon a prior or following steamer will be accepted; and insurance certificates, if required, shall cover shipment correspondingly.

"C. Documents for partial shipments will be accepted, even if the pro rata cannot be verified, unless expressly prohibited.

"D. The use of 'to,' 'until,' 'on,' and words of similar import, in indicating expiration, is interpreted to include the date mentioned.

"E. When the indicated expiration date for payment falls upon a Sunday or legal holiday here, the expiration is extended to the next succeeding business day.

"F. The terms 'prompt shipment,' 'immediate shipment,' 'shipment as soon as possible' and words of similar import, shall be interpreted as requiring shipment to be effected and (if the credit advice is without expressed duration) the stipulated documents presented for

payment within thirty days from the date of our credit advice.

"G. Our credit advice, if without expressed duration, shall not continue in force longer than one year from its date.

"H. The stipulated documents must all be presented not later than 3 p.m. (or twelve o'clock noon, if Saturday), on the indicated expiration date.

"I. The terms 'approximately,' 'about,' or words of similar import shall be construed to permit a variation of not to exceed ten per centum.

"J. Definition of Export Quotations will be those adopted by the National Foreign Trade Council, Chamber of Commerce of the U.S.A., National Association of Manufacturers, American Manufacturers' Export Association, Philadelphia Commercial Museum, American Exporters' and Importers' Association, Chamber of Commerce of the State of New York, N. Y. Produce Exchange, and the New York Merchants' Association, at a conference held in India House, N. Y., on December 16, 1919.

"6. Correspondents will understand that the above regulations shall govern in all credit transactions in the absence of other specific agreements. If the beneficiary shall make representations, or shall offer security, satisfactory to the bank, that no loss shall result to its correspondent or client by the waiver of any such regulations or any instruction, the bank reserves the right to make such waiver, and shall recognize no claim in the premises unless substantial direct damage shall be shown to have resulted."

Rights of Holder of Negotiable Bill of Lading

The bill of lading may be negotiable or non-negotiable, either under the Uniform Sales Act, or under the Bills of Lading Act; and a negotiable bill of lading is one which calls for the delivery of the goods, either to the order of a person named in such document, or to bearer; and such bill must be plainly marked "negotiable." On the other hand, if the bill of lading calls for the delivery of the goods to a specific person, this bill is non-negotiable, and must be so stamped. The person to whom a negotiable bill of lading has been negotiated is protected against the exercise, by the vendor of the goods mentioned in the bill, of the vendor's right to stop the goods in transit; and by statute, the person to whom a negotiable bill of lading has been transferred obtains the following rights:

"1. Such title to the goods as the person negotiating the document to him had or had apparently to convey to a purchaser in good faith, for value, and also such title to the goods as the person to whose order the goods were to be delivered by the terms of the document had or had ability to convey to a purchaser in good faith for value, and

"2. The direct obligation of the bailee issuing the document to hold possession of the goods for him according to the terms of the document as fully as if such bailee had contracted directly with him."

The transferor of a negotiable bill of lading under the statute makes the following implied warranties, unless it otherwise so appears: "(1) That the document is genuine; (2) that he has a legal right to negotiate or transfer it; (3) that he has knowledge of no fact which would impair the validity or worth of the document, and (4) that he has a right to transfer the title to the goods and that the goods are merchantable or fit for a particular purpose, whenever such warranties would have been implied if the contract of the parties had been to transfer without a document of title, the goods represented thereby."

Further discussion of the bill of lading and a discussion of warehouse receipts will be taken up in the next article of this series.

Classes F-4704 and F-4705

MEMBERS of classes F-4704 and F-4705 enjoyed an afternoon and evening outing on Saturday, May 23. In the afternoon, the classes "en masse" visited the Polo Grounds and saw the Giants play Pittsburgh. In the evening, accompanied by wives and sweethearts, the students held a theatre party at the Liberty Theatre, where they saw "Lady Be Good."

Arrangements for the affair were made at a luncheon held on April 18 at the Brooklyn Chamber of Commerce.

Court Holds Loose-leaf Records Legal Evidence

The use of loose leaves and cards for the making of accounting records has become so general that the courts are beginning to admit such records as evidence, even when used for the purpose of original entries. Of interest in this connection is a recent decision of the Supreme Court of Illinois, as reported for THE PACE STUDENT by Lewis V. Jenkins, a former student in the Extension Division, by letter under date of April 20, 1925, as follows:

"Editor of THE PACE STUDENT:

"It may be of interest to the readers of THE PACE STUDENT to note that the Supreme Court of Illinois, in *Wylie vs. Bushnell* 277 Ill. 484 p. 492, held that 'sheets from a loose-leaf ledger system of accounts, containing original entries are, when properly identified, admissible in evidence.' Said the Court: 'The material form or construction of the book offered in evidence as a book of original entry is unimportant. The method of keeping the accounts is the important consideration.'"

PARK, BYRNE & CO., public accountants and auditors, New York, announce that ELMER O. STEVENS, C.P.A., formerly at 120 Liberty Street, has joined the firm, which will hereafter be known as Park, Byrne & Stevens.

Pace Accountancy Society of New Jersey

For the purpose of stimulating more interest and spirit in the Newark Branch of Pace Institute, a number of meetings were recently held which resulted in the organization of the "Pace Accountancy Society of New Jersey."

At a meeting held on April 27th, the constitution and by-laws were presented and adopted; and at a later meeting, held on April 30th, the first officers to serve for one year were elected. Mr. H. Mand, who was the one that suggested this organization, and who is known at Pace Institute for his school spirit, was elected the first president.

The other officers are: Mr. J. F. Lambrecht, vice-president, Mr. Carl F. Schleck, secretary, and Mr. Harry Zibblatt, treasurer. The first Board of Governors consists of the following members: To serve for two years: Mr. Lloyd Decker and Mr. J. F. Lambrecht. To serve for one year: Mr. Joseph Myer; Mr. S. Kuvin; Mr. Carl Schleck, and Mr. H. Mand.

The main objects of this society are to bring the students together for the purpose of forming plans, both of a social and an educational nature.

The first important event is a luncheon to be served at the Achtel-Stetter Restaurant, Newark, at 1.30 P.M. on June 6th, which prominent speakers are to attend.

The constitution and by-laws, which set forth the object and other incidents of the organization, will be published in a later issue of THE PACE STUDENT.

ARTHUR B. SINCLAIR & CO., certified public accountants, announce the removal of their offices on and after May 1st, 1925 to 415 Lexington Avenue, New York City.

EPSTEIN & WULFING, certified public accountants, announce the removal of their offices to 27 William Street, New York City.

WILLIAM K. DORFMAN announces the removal of his offices to 303-305 Fifth Avenue, New York City, where he will continue in the practice of accountancy. Mr. Dorfman is a graduate of Pace Institute, New York.

MAURICE HEJNAL, of Washington Pace Institute, has recently been appointed as an Internal Revenue Agent of the Income Tax Unit for the Delaware Division. In the last C.P.A. examinations Mr. Hejnal was successful in passing three of his five papers.

FRANK LOEB SCHNEIDER CO., auditors, announce the removal of their New York offices to 1440 Broadway.

MR. ROBERT L. OWEN and JAMES W. BELLER announce their association in the practice of law under the firm name of Owen & Beller. Mr. John T. Kennedy, of Pace Institute, will be associate counsel in tax matters.

Verification of Cash in Bank Examinations

By Daniel Farnan

WITH the growth of our banking institutions through mergers and consolidations, the statutory requirements of periodical examinations by the directors have become so burdensome that these men of affairs are relying more and more upon the accountancy profession, not only to assist with the examinations, but also in many cases actually to conduct them.

These periodical examinations comprise the proof of the actual existence and legal custody by the bank of all assets called for by its general books, and the appraisal or valuing of these assets. Examining the cash of a bank during an examination would fall into the former class.

At the opening of the examination, the examiners should take possession of all the assets of the bank and, where practicable, should put them under seal. It is essential that all the cash be under the control of the examiners before starting, and they should satisfy themselves fully in this regard.

The practice adopted by both the National and State examiners of conducting the examinations at the opening of business seems to lend emphasis to the effectiveness of this method, as against the examination made in the afternoon after closing, and the following outlined procedure is based on this adopted practice.

Bills and Coin

A "bulk" count of the currency and bills should be made first. Such a count necessitates counting only the loose bills and unwrapped coin. The bundled bills are accepted at the wrapper value.

In preparing this preliminary examination of the cash, the examiner is in a position to determine whether the total required cash is under his control. The following form of preparing such a proof has been found to be both efficient and practical.

Coin Rolls	50c	00000.00
	25c	0000.00
	10c	000.00
	5c	00.00
	1c	0.00
Loose		000.00
Gold		0000.00
Bills—Bundles . \$1		00000.00
	\$2	0000.00
	\$5	000.00
	\$10	00.00
	\$20	0.00
Loose		000.00
TOTAL:		00000.00

When this "bulk" count is found to be in agreement with the teller's proof, the detail counting may proceed.

The scope of this detail count will depend upon the size of the institution.

In small country banks, a complete count is possible and should be made. In a larger bank, it is not always feasible to count all the cash, piece by piece, and the following procedure may be adopted. All loose bills and coin should be counted. When \$1, \$2, and \$5 bills are in packages of \$1,000 or more, the bundles making up the package should be counted in order to determine that the total value as indicated by the straps equals the accepted value of the package. Test the bundles indiscriminately by thumbing the ends to determine whether the bills are as indicated by the straps.

The wrapped coin may be accepted at face value. Bags of coin, when under seal of the Treasury Department or the Federal Reserve Bank, may be accepted at the face value. Other bagged coin, however, must be verified, either by actual count—coin-counting machines have been found practical in these instances—or by counting one bag of coins and comparing the other bags of like coins in respect to weight. Unsealed bags should in all cases be examined to verify that they contain good coin.

The scope of these tests, both of bills and of coin, will depend entirely upon the size of the institution and the number of men assigned to examine the teller. It should be realized that the examination must be conducted so as to reduce to a minimum any delay in the transactions of the regular business of the bank.

If the examination is begun before the bank opens for business, sufficient cash should be counted and released to the tellers by the time the bank is open to the depositors.

As the packages are counted and verified, they are checked off on the proof, suggested above, until the list is exhausted.

It is necessary for the accountant in charge of the teller's cage to be watchful of all transfers of cash between tellers; and, if the bulk count does not account for the required amount of cash, any cash received subsequently should be promptly questioned and the source from which it was received determined.

It is the custom for bank men to turn all bills one way when wrapping them. In thumbing the packages, therefore, if the back of a bill were to appear among the bills that were face up, that bundle should be broken and the bills counted individually.

The importance of making certain that the required cash has been accounted for before the examiner leaves the cage or releases his control, cannot be stressed too strongly. If it develops, after the accountant leaves the cage, that he has not examined sufficient cash, it is not only difficult for him to verify that the missing cash, which may be produced for him subsequently, was in the cage

during his count, but also defeats the purpose of the surprise examination.

Foreign money carried as cash should be listed in both the foreign value and the dollar value, and the latter value compared subsequently with the market value of the day.

Cash Items

Very often there is found with the cash, memoranda of one kind or another representing cash. A thorough examination of such petty-cash vouchers, receipts, advance slips, or checks as may be found in the cash is a prerequisite of a complete examination.

A list of the items, showing the date they were first considered as cash, the depositor's or employee's name, and the amount should be discussed with an officer or the director in charge of the examination. This is necessary as items of a doubtful nature, or checks cashed contrary to instructions, are frequently held in the cash account.

The items usually found fall under one of the following groups: (1) petty cash expenditures and advances to employees; (2) checks; (3) charge tickets.

In examining the petty cash vouchers and advances to employees, the same tests should be applied as are recognized in general auditing practices; as, approval by an officer that the items are current, and some assurance of repayment of the advances.

The checks, however, call for closer scrutiny and might well be grouped as follows:—

House or depositors' checks.—As soon as the examination of the cash is completed, the list of the checks drawn by the bank's own depositors and carried as cash, should be compared with the depositors' ledgers to verify whether there are sufficient balances against which these checks might be applied. This is done to discourage a teller from holding in his cash a check of a depositor as an accommodation, so that the customer's account may not appear overdrawn. The fact that the check would throw the account in overdraft makes the value of the check doubtful, and calls for the attention of an officer of the bank. Depositors' checks should not be held in the cash longer than one day.

Checks on other banks.—It is unusual for tellers to hold checks on other banks among the cash items, for such checks should be presented to the paying bank the day they are cashed. However, checks deposited by a customer and returned unpaid by the paying bank are often held in the cash items until the depositor settles for them. Such checks should be charged back to the depositor's account or otherwise considered doubt-

ful. An officer's or a director's attention should be called to items of this nature held for the accommodation of the depositor. Checks of this group cashed for other than depositors, might well be questioned and the nature of the transaction by which the checks became part of the cash scrutinized.

Officers' and employes' checks.—It should not be necessary to hold an officer's or employe's check longer than one day in the cash items, and any exception to this rule calls for special consideration. In addition to requesting the approval of an officer for carrying these checks as cash, it is advisable to consider also the transactions which resulted in these checks becoming cash items, as the teller might be using the checks to cover a shortage.

Charge tickets.—The charge ticket forms used in the bank accounting system, when found in the cash items, require the most careful scrutiny. The examiner must make certain that the transactions for which such tickets were issued are legitimate and have the approval of an officer.

Instances similar to the following are experienced in examining many of the city banks; and, while the transactions are regular, they do, nevertheless, call for careful investigation. In order to maintain the supply of bills and coins up to the average daily requirements, many banks draw a check at the close of business each day in favor of the Federal

Reserve Bank and forward the check to an armored car service company with a request that the money be obtained and delivered the following morning. The check is charged to cash.

An examination made of this institution in the morning would find the cash short the amount of this check, were not a charge ticket recording the transaction carried in the cash items. The examiner should not only satisfy himself of the genuineness of the ticket, but should insist upon seeing the money when it is delivered later in the morning and before the Federal Reserve Bank seals are broken on the bags or bundles.

Petty Cash Funds

It is the practice in larger institutions to carry petty-cash funds on the Imprest system in several departments. These funds are often carried in the cash balance, and the same rules and tests apply to them as to petty-cash funds found on any audit.

The integrity of bankers and bank employes is by no means questioned, as it is generally recognized that they are striving to serve the stockholders and the depositors both faithfully and honestly. However, the examiner in his work of satisfying himself and his client that the assets are accounted for as recorded, might wisely follow the maxim so strongly stressed in the Pace Accountancy Course, "be sure—take nothing for granted."

The letter to the New York Credit Men's Association, 320 Broadway, New York, N. Y., is as follows:

"Herewith please find copy of a letter (reproduced above) this day sent to the National Association of Credit Men in New York City, which letter is self-explanatory.

"The committee named therein will be glad to receive any suggestions from your association as to how they will be useful in your behalf.

Alumni Luncheon

THE monthly luncheon of the Pace Alumni Association was held in the main dining room of the Machinery Club, 50 Church Street, New York on Saturday, May 16. A large number of the members were present.

A brief business session was held at which Henry E. Mendes, president of the association presided. The Executive Secretary announced the new nominating committee, which is composed of the following members: Charles T. Bryan, Alfred F. Upson, Mrs. Florentine D. Goodrich, James F. Farrell, and Paul G. Burroughs.

President Mendes announced that this luncheon would be the last to be held until the third Saturday in September. However, during the course of his announcement, Mr. Mendes outlined the interesting program which has been planned for the fall and the coming winter.

The most important feature of the luncheon was an address by Harold Dudley Greeley, attorney at law and a charter member of the association, who spoke on "Inheritance Taxes of Today." Mr. Greeley, who is also a certified public accountant, is a specialist in this important phase of accounting and law. He is a former member of the faculty of Pace Institute, New York, and is at present a lecturer on Estate Accounting and Taxation at Columbia University. The members of the association were signally fortunate in having the opportunity to hear Mr. Greeley. The full text of Mr. Greeley's address will appear in a later issue of THE PACE STUDENT.

Evening Students Visit Ford Plant

A LARGE group of Evening School students, under the guidance of Mr. Bulin, made an interesting trip to the Ford plant at Kearny, New Jersey, during April. The students, divided into small groups, were shown through the factory and offices by competent guides. Much of practical interest was seen and assimilated by the students.

This particular trip as a whole was especially interesting because of the unique place that the Ford Company holds in the industrial field as pioneers in the spheres of standardization and manufacturing efficiency.

Pace Alumni Association Appoints Committee to Aid Credit Fraud Drive

AT the regular monthly meeting of the Pace Alumni Association on April 18, a resolution was passed which provided for the formation of a committee to aid the National Association of Credit Men in their drive against credit crooks.

The following is an excerpt from the minutes of the April 18 meeting:

"On conclusion of Mr. Pace's talk, a motion was made by Mr. Upson, duly seconded by Mr. Bulin, and unanimously carried by the members present, that the President of the Pace Alumni Association appoint a committee to draft and present a resolution to the President of the National Association of Credit Men; the purpose of the resolution being to offer the whole-hearted support of the Pace Alumni Association to the National Association of Credit Men in its present drive against credit frauds. The President stated that he would appoint at an early hour the committee to carry through the foregoing resolution."

Mr. Mendes appointed as members of the committee, Mr. A. G. L. Baines, Mr. Samuel Green, and Mr. Alfred F. Upson, Chairman.

Mr. Upson, as Chairman of the committee, immediately wrote to the National Association of Credit Men and to the New York Credit Men's Association, offering the services of the Pace Alumni

Association, and asking for suggestions as to ways in which it might be of assistance.

The letter to the National Association of Credit Men, 41 Park Row, New York City, is as follows:

"This will advise you that the Pace Alumni Association, connected with Pace Institute at No. 30 Church Street, New York City, at its meeting at the Machinery Club on April 18, 1925, passed the following resolution:

"Be It Resolved that the Pace Alumni Association of 30 Church Street, New York City, tender its whole-hearted support to the National Association of Credit Men in its present drive against Credit Frauds, and tender its services through a committee appointed for this purpose.

"In pursuance of this resolution the following committee was appointed by the President of the Association; namely, Alfred F. Upson, Chairman, 30 Church Street, New York, N. Y.; Samuel Green, 238 Virginia Avenue, Jersey City, N. J.; A. G. L. Baines, New Milford, N. J.

"This committee will be pleased to receive any literature that your organization may care to send us in order that we may cooperate with you in any way; and this committee will be pleased to receive at an early date any suggestions as to active service in your behalf.

Property Records

(Continued from page 103)

The first of the three subdivisions for each major classification consists of a numeral placed after the mnemonic symbol of the major classification, shown in the illustration as —01, after the letter “B.” In each case where this numeral is less than ten, a cipher is used in place of the first figure for clarity of interpretation as well as for convenience in tabulating reports. It will be seen that B-01, therefore, is a fireproof building; B-02, a semi-fireproof building; B-03, a metal building; B-04, a wooden building, etc. The second subdivision is denoted by the addition of a dash and another

C 32—Engines

- 1 Engine (Complete)
 .1 Foundations and Supports

C 33—Electrical Apparatus

- 1 Motors (Complete)
- 2 Generators
- 3 Panel Boards (Complete)
- 4 Transformers
- .1 Foundations and Supports

C 34—Boiler Room Equipment and Accessories

- 1 Boilers and Pertinent Fittings
- 2 Boiler Settings
- 3 Mechanical and Hand Operated
Stokers or Grates
- 4 Superheaters
- 5 Coal Bunkers
- 6 Forced or Induced Draft Ap-
paratus
- 7 Feed Water Heaters,
ETC.

C 35—Stacks, Steel

- 1 Stack
- 2 Breeching
 - .1 Foundations and Supports

C 36—General Power Transmission

- 1 Transmission (Complete)
Note: Transmission which is not chargeable to any particular machine or piece of equipment will be considered under this classification.

C 37—Piping

- 1 Water Piping
- 2 Steam Piping
- 3 Air Piping
- ETC.
- .14 Pipe Covering

C 38—Electrical Work

- ## —1 Power Wiring

Note: On Classifications C 36 and C 38, one card is made up for the total value of each class on each floor in each building; and for C 37 Piping, there is one card for each kind of piping on each floor.

PROPERTY RECORD CARD

Description.

Used for:

Appraisal Reference.

COST				DEPRECIATION				DISPOSITION		
Date	Invoice	Freight & Installation	Total	Year	Annual %	Accrued	Depreciated Value	Date		Amount
									Depreciated Value	
									Sale Price	
									Gain or Loss	
								REMARKS		
Building		Classification		Machine No.			Location (Floor)			

NOTE: The reverse side of this card is divided in half, one half being used to show the detail of each invoice entering into the cost of the item covered by the card and the other half being used to show the detail of all freight and installation costs. The information is collected here in the first instance and transfers of totals are made to the other side of the card monthly.

Form 4

ADDITIONS TO AND DEDUCTIONS FROM PLANT ACCOUNTS

Sheet No.

Blank Co.....Branch

Month of.....192.....

[illegible]

Form 5

numeral and symbolizes a particular part of the article, such as a heating system for a fireproof building, which would bear the classification B-01-4. Such information in regard to fireproof buildings, etc., might be very valuable indeed for insurance purposes, because values are readily determinable and insurance rates are based, to a certain extent at least, upon the fire hazard and risk assumed. B-04-6, to continue, would denote an elevator in a wooden building, and so on. This brings us to the final subdivision, which is a decimal figure added to the symbol built up so far. For instance, if it were desired to designate the electric lighting system, as distinguished from a telephone system in a fireproof building, it would be accomplished by the symbol B-01-5.3; whereas a wooden bin, such as a grain bin, in a metal building would bear the symbol B-03-8.6. Note the uniformity of the classification even to the decimal subdivision, .1 denoting all excavations and foundations within a building although not for the building itself; .2 denoting all superstructures, etc. The .1 classification covers items such as excavations and foundations for machines, elevators, etc. In the case of machinery or equipment that is capable of being transferred between plants, etc., this decimal subdivision serves an even larger purpose, as costs of erecting foundations and supports for instance cannot be transferred to the receiving plant along with the cost of the article, and the decimal subdivision furnishes the means of keeping the amounts separate. It also allows for the replacement of large parts of machines, which wear out, by capitalizing the new and crediting the capital account for the value of the old. An example of this is a heating coil in a large tank. A tank will ordinarily outlast half a dozen heating coils, and the procedure outlined facilitates the handling of the transaction as a capital one rather than as a repair. For the purpose of this record, a building is considered fireproof when not more than fifteen per cent of the structure is of other than fireproof material. From an engineering standpoint, such a condition would take the building out of the fireproof class, but for accounting purposes it has been deemed satisfactory to list them under this caption. Semi-fireproof buildings comprise those constructed in the main of brick, concrete, or stone, the floors, girders, columns, etc., of which are of frame or mill construction. The metal building classification comprises all those of complete metal construction, sheet metal over steel frame. An example of this type of building would be a large sheet-metal garage. The last classification includes all wooden buildings or those having wood or metal sheathing over wood frames.

Installation of the System

The installation of this system entails no small amount of detailed work, which must be performed with accuracy. Perhaps the best method of beginning the work is to have an appraisal made of the

plant and proceed to build up the records on the basis of this appraisal. This was the procedure used in the organization under consideration when an additional plant was acquired as a going concern for a flat, round amount consideration. An appraisal was made of all property, which was lower by three per cent than the cost price. This necessitated the writing up of the appraisal figures for each piece of equipment to the extent of the three per cent difference. Accuracy is necessary in the performance of this phase of the work because the total value of all the classifications and sub-classifications should agree with the cost

value when the work has been completed.

In conclusion it might be said that the operation of this property record as a practical accounting record under the conditions mentioned has proved to be very satisfactory. The number of advantages in addition to those given are innumerable. At the same time, it is well to remember that not all organizations require a system as elaborate as this one; and also that some organizations, even fully as large as this one, could not use the same methods, due to methods of operation and other plant conditions.

TRANSFER SLIP		No.
BLANK CO.		
EQUIPMENT	<input type="checkbox"/> Transferred <input type="checkbox"/> Sold <input type="checkbox"/> Discarded	Manufacturing Branch192.....
From	Dept. Bldg. No. Equip. No.	
To	Dept. Bldg. No. Equip. No.	
To	Mfg. Branch at	
COMPLETE DESCRIPTION OF EQUIPMENT		
Approved		Signed
DATA FOR APPRAISAL DEPT.		DATA FOR ACCOUNTING DEPT.
Appraisal Page Value \$		Property Classification
Remarks:		Property Record Cards:
.....		Date Purchased
.....		Total Cost
.....		Reserve for Depreciation \$
.....		Net Value \$

Form 6

Pace Institute announces the formation of a special time-saving Spring class in Accountancy and Business Administration having its first teaching session on

Monday, June 8, at 6 o'clock

Men and women who enroll in this late afternoon (6 o'clock) class will be ready for the work of the second semester by fall. Write for "Your Market Value," an informative vocational booklet. The Registrar, Pace Institute, 30 Church Street, New York.

As to an Artist's Capital

THE artist and the tax gatherer have been with us from time immemorial—the artist from the time he painted prehistoric bison on the walls of prehistoric caves; the tax gatherer from the time when the swarthy-skinned producer of grain dumped his proportion into the granaries of the Pharaohs. Comes now a formal and recorded appreciation of the one for the other—of the tax gatherer for the artist—an appreciation for which there is no precedent either in recorded history or in the caves of prehistoric man. To wit:

"Clarence Whybrow," said John M. Sternhagen of the United States Board of Tax Appeals in a recent opinion, "was an artist. His work was done on inspiration and his product was beauty. He concerned himself with color, line, balance, harmony, and proportion. His task was to catch the grandeur of the Louis, the grace of the brothers Adam, or the charm of the classic Florentine, and install it behind a high brownstone stoop on Madison Avenue in place of its Victorian glass and gold. He thought not of quantity or of production or of unit costs. Success to him was in quality and effect. He bought paint, of course, and other materials for his art—so did Leonardo and Rembrandt—and sold the product, as did Chippendale and Whistler.

"Then came the war and the burdens of government, and his place must be found in the profits tax of 1917. He knew little of such matters then, and hardly more when he testified seven years later. Accounts irked him. He was successful enough to have a book-keeper, and this man made the tax return which Whybrow signed. What it contained he hardly knew. It was based upon the assumption that his business was one 'having no invested capital or not more than a nominal capital,' as provided in section 209. But the Commissioner found in his return that he had business assets and liabilities—he had a studio containing models and a library of many fine books and pictures, he had accounts receivable and payable, and he had cash in the bank—and he was therefore regarded as conducting a trade or business having capital to be used as the basis for measuring war profits.

"In this we must disagree. This man's business was in his soul. He could have carried it on anywhere and without a cent. The only investment he had was in the library, and it is questionable whether this is to be regarded more as a business asset or as a personal collection. To be sure, he used it in his work, but only to supplement his ideas. Whether it was productive or what it produced no one can say. It may be doubted whether he would have paid it in for stock or shares if he had incorporated. Are a lawyer's books, a doctor's surgery, an architect's sketches and snapshots, or an engineer's tables and formulae his capital? It was apparently not so re-

garded by the sponsors of section 209 in Congress, for both Senator Simmons and Representative Kitchen said that the section was expressly designed to provide for lawyers, doctors, engineers, and their like."

Book Review

Auditing, by William H. Bell and John A. Powelson, Prentice-Hall Inc., New York, 1924, XV 518 pp. bd. Price \$4.00.

IN this contribution to accountancy literature, the authors have set forth thoroughly but concisely the principles of auditing. Auditing is treated as a specific subject. It is assumed that the reader is well grounded in fundamental accounting principles.

The first part of the volume, which is the work of Mr. Bell, includes a general discussion of auditing. It sets forth the purposes of auditing, the preliminary arrangements preparatory to making an audit, and the general procedure and practice with respect to carrying out the audit program.

A detailed discussion of the original records is given. This discussion is followed by a comprehensive treatment of the asset and liability accounts, and many questions likely to arise in considering the various accounts during the audit procedure are taken up.

The treatment of the important subjects of inventories, valuation of securities, verification of possession of securities, depreciation of capital assets and the audit report is particularly informative. The reader will probably find that some of the statements made in the book are objects of dispute and that the author has treated such subjects very well from a practical viewpoint. In the discussion of the use of rates of depreciation as applied to the retirement of a unit of property of a particular class, the author states, with respect to the resulting under-depreciation or over-depreciation, that, "if a unit of property is retired for ordinary causes—not on account of obsolescence, inadequacy, or casualty—in advance of the average estimated life of all units in its class, any deficiency in the provision for depreciation may be considered to be offset by excessive depreciation of other units in the same class and for that reason it is not necessary to write off such deficiency." Many accountants will not agree with this statement.

No attempt is made to apply the principles of auditing to specific lines of business, but the reader will gain a working knowledge of basic auditing principles, which may be adapted to conditions arising in specific lines of endeavor.

The supplemental material contained in the second half of the volume, which is the work of Mr. Powelson, presents cases and questions to which basic auditing theory may be applied for practical working purposes. Accompanying the

cases and questions is an index which provides the reader with a key to the problem and the question that apply to a particular case in which he may be interested. The solutions to the problems and answers to the questions are published separately.

To the practitioner of professional accountancy this work should be extremely helpful, and the ease of reference to particular subjects should make the volume a worthy addition to an accountant's library. For study purposes, the student will find the presentation clear and understandable with an abundance of supplemental material, including a suggested list of lesson assignments to be followed in a personal study program. Accountancy as a whole is benefitted by this contribution.

DAVIES & DAVIES announce that Bernard M. French, who has been associated with them for many years in the public practice of accountancy, has been admitted to partnership. The firm's name will remain unchanged.

HUTCHINSON & SMITH, certified public accountants of Dallas, Texas, announce the removal of their offices to the Santa Fe Building.

JOHN D. BRETHAUER, of San Francisco was among the successful candidates who sat for the recent California C.P.A. examinations. Mr. Brethauer was a student of the Pace Courses in the San Francisco Institute of Accountancy.

Qualified People

may become

CHARTER MEMBERS

of

The Pace Alumni Association

by signing

The Articles of Association on or before September 19, 1925

There are no dues. Write to the Secretary for additional information.

F. M. Schaeberle,

Executive Secretary,

30 Church Street,
New York